

AMENDED IN ASSEMBLY APRIL 24, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1418

Introduced by Assembly Member Arambula

February 23, 2007

An act to add ~~Sections 14158, 14258, and~~ *Section* 14385 to the Financial Code, relating to credit unions.

LEGISLATIVE COUNSEL'S DIGEST

AB 1418, as amended, Arambula. ~~Credit union reinvestment. *Union Membership Investment Model.*~~

Existing law ~~requires a credit union to submit an application for certification to the Commissioner of Financial Institutions and requires the commissioner to either issue a certificate to the credit union or to deny the application for specified reasons upon reasonable notice and opportunity to be heard. Existing law authorizes the commissioner to investigate into the affairs and examine the books, accounts, records, and files of a credit union. Existing law requires a credit union to file an audit report with the commissioner at the end of each fiscal year, as specified. Existing law establishes a Credit Union Advisory Committee in the Department of Financial Institutions to advise the commissioner~~ *Commissioner of Financial Institutions* and the Deputy Commissioner of Financial Institutions for the Division of Credit Unions, on matters relating to credit unions. ~~A willful violation of the laws regulating credit unions is a crime.~~

This bill would require the Credit Union Advisory Committee, by July 1, 2009, to develop and provide the commissioner with community reinvestment policies and goals for credit unions in California, *in consultation with the commissioner, a Credit Union Membership*

Investment Model that would identify credit union best practices relating to community development, small business and microenterprise financing, and investments of credit union capital. The bill would also require the Credit Union Advisory Committee to establish *Membership Investment Model* to meet specified community reinvestment objectives for credit unions. The bill would require a credit union to submit a community reinvestment plan that meets the policies and goals of the Credit Union Advisory Committee in order to obtain a certificate to function as a credit union or to maintain an existing certificate *Membership Investment Model to be posted on the department's Internet Web site.* The bill would also require the commissioner to review a credit union's community reinvestment activities whenever the commissioner investigates into the affairs and examines the books, accounts, records, files, and other documents of a credit union. The bill would require the commissioner to issue a corrective order, that a credit union would be required to comply with, if the commissioner finds that a credit union is deficient in meeting the policies and goals of the credit union's community reinvestment plan and would authorize the commissioner to suspend the certificate of a credit union or fine a credit union that does not comply with a corrective order. The bill would require a credit union to submit an annual report to the commissioner on community reinvestment, as specified. The bill would require the commissioner to submit a report to the Governor and the Legislature, by July 1, 2011, regarding credit unions and community reinvestment, as specified. The bill would also require the commissioner to post on the Department of Financial Institution's Internet Web site a list of state chartered credit unions that have accepted community reinvestment plans, as specified.

Because a willful violation of the bill's provisions by a credit union would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: ~~yes~~ no.

The people of the State of California do enact as follows:

1 *SECTION 1. The Legislature finds and declares all of the*
2 *following:*

3 *(a) California administers several programs to encourage*
4 *investments by conventional banks and state regulated insurers in*
5 *underserved communities and in small business and*
6 *microenterprise, such as the California Capital Access Program,*
7 *administered by the Treasurer, and the California Organized*
8 *Investment Network, certified Community Development Financial*
9 *Institutions, administered by the Department of Insurance.*

10 *(b) A variety of credit unions throughout the state have*
11 *established programs that serve members in communities that have*
12 *been historically underserved by private equity, debt markets, and*
13 *banks.*

14 *(c) As personal savings is one of the greatest sources of start-up*
15 *capital for small businesses and microenterprise, credit unions*
16 *are in a position to assist members in establishing savings accounts*
17 *and access reasonable interest rates on personal loans and can*
18 *play a foundational role in supporting entrepreneurship and*
19 *community economic development.*

20 *(d) To promote economic development among credit union*
21 *members in historically underserved communities, also known as*
22 *emerging domestic markets, the Legislature intends to encourage*
23 *state chartered credit unions to identify best practices within the*
24 *credit union industry, and to deploy those practices, consistent*
25 *with statutory and regulatory authorizations as may be provided*
26 *by the Legislature or the Commissioner of Financial Institutions.*

27 *SEC. 2. Section 14385 is added to the Financial Code, to read:*

28 14385. *(a) On or before July 1, 2009, the Credit Union*
29 *Advisory Committee, in consultation with the commissioner, shall*
30 *develop a Credit Union Membership Investment Model. The Credit*
31 *Union Membership Investment Model shall identify credit union*
32 *best practices relating to community development, small business*
33 *and microenterprise financing, and investments of credit union*
34 *capital, that the committee and the commissioner believe are*
35 *consistent with the legislative and regulatory authorities that may*
36 *be provided to credit unions, and that meet the following objectives,*
37 *consistent with credit union statutory and regulatory authorizations*
38 *as may be authorized by the Legislature or the commissioner:*

1 (1) *Provide capital to rebuild lower income communities through*
2 *targeted lending.*

3 (2) *Promote community ownership of assets and savings.*

4 (3) *Provide financial instruments to increase entrepreneurial*
5 *capacity and wealth in low-income communities.*

6 (b) *The Credit Union Membership Investment Model shall be*
7 *posted on the department's Internet Web site.*

8 (c) *The Credit Union Advisory Committee and the commissioner*
9 *shall, as part of the Credit Union Membership Investment Model,*
10 *identify and post best practices in a manner that distinguishes best*
11 *practices appropriate for credit unions according to their asset*
12 *size, type of charter, and field of membership.*

13 (d) *The Credit Union Advisory Committee and the commissioner*
14 *shall, as part of the Credit Union Membership Investment Model,*
15 *identify best practices for making the variety of credit union*
16 *products and services more transparent as a means to encourage*
17 *community and economic development partnerships consistent*
18 *with credit union statutory and regulatory authorizations as may*
19 *be provided for by the Legislature or the commissioner.*

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22 **All matter omitted in this version of the bill**
23 **appears in the bill as introduced in the**
24 **Assembly, February 23, 2007 (JR11)**
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